



COMMITTEE ON THE BUDGET
MAJORITY CAUCUS
U.S. House of Representatives
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EARLY WARNING TALKING POINTS
ON ADMINISTRATION BUDGET PROPOSAL
CHILDREN'S HEALTH INSURANCE

BACKGROUND

The President is expected to propose significant new spending above the baseline to try to further accelerate the already increasing enrollment in government health insurance programs for lower income children. The proposal reportedly would: (1) fund new efforts to find and enroll uninsured children through schools; (2) allow sites, such as child care referral centers, to immediately enroll children before their applications are even processed; (3) require States to make their Medicaid enrollment documentation requirements as minimal as that for the State Children's Health Insurance Program (SCHIP); and (4) expand Medicaid to cover children through age 20 and extend the same option to SCHIP. The projected cost to the taxpayer would be an additional \$2.7 billion over 5 years, according to the Administration's Office of Management and Budget.

The Balanced Budget Act of 1997 [BBA] already allows a total of \$24 billion over 5 years for SCHIP. The Nation's Governors have argued that proposed regulations for SCHIP restrict needed flexibility and limit the State's ability to enroll more of the Nation's 5 million uninsured children who are eligible for SCHIP.

KEY POINTS

- < Extending health insurance to poor, uninsured children is a worthy goal, with strong bipartisan support.
 - < The Department of Health and Human Services has just documented that the States have doubled enrollment of children in the SCHIP program over the past year, from 1 million to 2 million children. The National Governors Association said these most recent SCHIP enrollment numbers prove that "States are doing an exceptional job of finding, reaching out, and enrolling children in state-designed health insurance programs."
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- < But at the administration's original insistence, the BBA restricts program administration, direct care, and outreach to 10 percent of total SCHIP funds. Then, last year, the President suggested partially reversing that limitation by allowing States to use up to 3 percent of their SCHIP benefit spending for outreach activities and removing outreach from the 10-percent administrative/direct care/outreach cap.

The Nation's Governors have complained that they are unable to fund SCHIP outreach appropriately because outreach is restricted by the 10-percent cap. Simply allowing States to administer SCHIP without Federal restrictions on how much they can spend on outreach would best allow these States to enroll more of the Nation's uninsured children.

- < Now the President is expected to request an additional \$2.7 billion over 5 years. But, neither Medicaid nor SCHIP is actually short of funds. Like Medicare, Medicaid funding is mandatory, so spending is unlimited to meet the requirements and demands of the existing statutory program. SCHIP funding is capped at \$24 billion over 5 years and \$40 billion over 10 years, but the States are spending at a much slower rate. This slow spending is mainly the result of the 10-percent cap, which hamstrings the States in their efforts to enroll eligible children, and the time required to get a government program up and running. Thus, new funding proposals are not needed; more flexibility is needed.
- < The President is proposing to allow school lunch programs to share application information with Medicaid staff for outreach and enrollment, a practice already allowed for SCHIP. This proposal mirrors legislation (S.1570) offered by Senator Richard Lugar (R-IN). Federal law currently prevents school lunch programs from sharing enrollment information with Medicaid.
- < The President is also proposing to expand Medicaid to have States cover children all the way through age 20 and extend the same age option to SCHIP. A tax credit approach, which would greatly expand plan choices and health insurance options open to the uninsured, would be far preferable to expanding a rigid government program.
- < Senate Finance Committee Chairman William Roth (R-DE) recently stated "There is more that must be done – every child in this country eligible either for Medicaid or for SCHIP ought to be enrolled and receiving the coverage they need to grow and thrive." But even more progress on children's health care rests on economic growth which can increase family incomes and employment in jobs offering private health insurance coverage.

WASTE, FRAUD, ABUSE, AND MISMANAGEMENT

Medicaid continues to be subject to waste, fraud and abuse. Among recent examples are the following:

- < **State Defrauded of an Estimated \$1 Billion** – In November 1999, Federal investigators announced that losses to the California Medicaid program (called Medi-Cal) may surpass \$1 billion, one of the largest frauds against a State in American history. A joint Federal and State task force investigated the program after the number of medical supply stores skyrocketed, and payments for supplies jumped almost 50 percent between 1996 and 1998, from \$173.4 million to \$258.4 million. Charges have been filed against 64 businesses and their owners, 35 of whom have pled guilty and have been fined or are serving sentences ranging from 10 months to 3 years. An additional 300 businesses are currently under investigation.

According to accounts, loose government regulations of the Medi-Cal program have made it relatively easy for fraud rings to operate. The scam operations obtain Medi-Cal provider numbers, then start billing electronically for nonexistent supplies and services. *The Los Angeles Times* said: “The deception was so easy. Rent some office space. Put in a few shelves with a smattering of goods . . . Meet State standards so lax that only primary suppliers were expected to maintain records. Start billing the State Medi-Cal system for all sorts of fake sales and business and then just sit back and watch the checks come in.” (*The Los Angeles Times*, November 29, 1999 and December 1, 1999)

- < **Overcharging for Home Health Services** – Between January 1994 and November 1997, a New York home health agency submitted tens of thousands of inflated bills to Medicaid for home health care services. Medicaid was charged as much as 25 percent above rates charged to privately insured patients, resulting in Medicaid overpayments of \$600,000. In March 1999, the owner of the agency pleaded guilty to grand larceny. (National Association of Attorneys General, *Medicaid Fraud Report*, March 1999)
- < **Charging for Medical Services Not Delivered** – Between February and August 1996, a Miami-based medical clinic defrauded Florida’s Medicaid program of more than \$1,000,000. The clinic submitted fraudulent medical claims for nerve conduction tests, allergy tests, and chemotherapy injections which were not provided. (National Association of Attorneys General, *Medicaid Fraud Report*, February 1999)

For this and other information on administration budget proposals, see the House Budget Committee’s web page at www.house.gov/budget